

The Legislature's McCleary Plan: Impacts to Lake Washington School District

Historically, school districts in Washington State have heavily relied on local levies to fund Basic Education. The Supreme Court ruled that the state was not meeting its constitutional obligation to fully fund Basic Education. This ruling, known as the McCleary decision, resulted in the state legislature's "McCleary Plan," which is intended to provide additional funding for Basic Education for all 295 districts in Washington State.

The McCleary Plan involves increasing state property taxes for education funding and placing limits on the amount of EP&O levy funding that local school districts can collect.

How do McCleary Plan Limits Impact Lake Washington School District's EP&O Levy?

Under the McCleary Plan, the state legislature limits what local school district can collect through their EP&O levy. Districts can collect either \$1.50 per thousand of assessed valuation (AV) or \$2500 per student, whichever is less. For Lake Washington, the \$2500 per student amount is less.

Therefore, the legislature has authorized Lake Washington to collect \$73.9 million each year through its EP&O Levy:

$$\$2500 \times 29,572 \text{ students} = \$73.9 \text{ million}$$

However, Lake Washington School District is not seeking the full amount authorized by the legislature. Rather, Lake Washington is seeking \$63.5 million average per year in the February 2018 EP&O Levy.

- This is \$41.6 million less than the legislature has authorized for the four-year levy

The levy amount Lake Washington is seeking equates to \$2149 per pupil, which is less than the \$2500 per pupil authorized by the legislature.

Why is Lake Washington Seeking Less than Authorized by the Legislature?

Lake Washington is expecting additional state funding for Basic Education as part of the McCleary Plan. This additional funding is for Basic Education.

As part of the McCleary Plan, the legislature has adopted a two-year biennial budget for the 2017-18 and 2018-19 school years. The McCleary Plan is anticipated to provide an average of \$40.5 million per year to Lake Washington in the 2018-19 and 2019-20 school years. The table below shows the new state funding expected in 2018-19 and 2019-20:

	2018-19	2019-20
New State Funding Expected in LWSD	\$52.8 million	\$28.2 million

Lake Washington expects to receive an average of \$40.5 million (which is \$1,370 per pupil) in new state funding in the 2018-19 and 2019-20 school years. Lake Washington School District is seeking \$41.6 million fewer levy dollars than authorized by the legislature.

What will the Lake Washington School District EP&O Levy Fund and What is the Local Tax Impact?

The legislature authorizes districts to use local EP&O funds for certain categories. The table below shows the categories and items that will be funded through the Lake Washington School District EP &O levy:

Category	Items Funded
Staffing for Programs, Safety & Security	<ul style="list-style-type: none"> • Certificated and classified staff for Special Education, Highly Capable and English Learner programs • Substitutes • Nurses • Health room staff, campus security staff • Transportation staff
Professional Learning	<ul style="list-style-type: none"> • New Teacher Support Program • Five (5) professional learning days in August • Training, workshops, in-service, professional fund, professional learning
Athletics & Extracurricular Activities	<ul style="list-style-type: none"> • Athletic Directors • Coaches • Athletic trainers • Activity Advisors
Additional Course Offerings	<ul style="list-style-type: none"> • 7-period high school day to support 24-credit graduation requirement • Summer learning programs
Early Learning	<ul style="list-style-type: none"> • Head Start, Ready Start, and Special Education preschool
<i>Average Annual Amount Per Year</i>	\$63.5 million

The local tax impact of the EP&O Levy is \$1.03 per thousand of AV. This represents a \$0.23 tax rate *decrease* from the current \$1.26 per thousand of AV.

Does the decrease in the local LWSD rate fully offset the increase in the state property tax rate?

Currently, property owners in Washington State pay a state property tax to fund education for all 295 districts in Washington State. As noted above, the legislature’s McCleary Plan involves increasing the state property tax rate to more fully fund Basic Education for all students in Washington State. While the exact impact to individual property owners is not entirely clear, the legislature has indicated that the state rate will increase by approximately \$0.82 per thousand of AV.

Lake Washington, being mindful of this increase, is not seeking the fully EP&O levy amount authorized by the legislature and is therefore reducing the local LWSD tax rate for its citizens by \$0.23.

As explained above, the legislature has authorized Lake Washington to collect more, but Lake Washington is seeking less due to the anticipated increase in state funding and to do its part in reducing the tax burden of its local citizens.

How will the State McCleary Plan Funding for Basic Education be used in Lake Washington?

As noted above, under the legislature’s McCleary Plan, Lake Washington expects to receive an average of \$40.5 million per year in additional state funding for Basic Education in the 2018-19 and 2019-20 school years. The legislature has earmarked these dollars to increase funding for Basic Education, primarily for Basic Education staff salaries.

Staff Salaries

Historically, school districts have had to heavily rely on local levy dollars to fund staff salaries. Under the McCleary Plan, the legislature is increasing state funding for staff salaries and providing some districts with additional salary money in “regionalization factor.” “Regionalization Factor” is intended to provide higher salaries to staff in regions with a higher cost of living. Lake Washington will receive an 18% regionalization factor beginning in 2018-19.

For example, currently, in 2017-18, local levy dollars fund 28% of an average teacher’s salary in Lake Washington. In 2018-19, due to the increase in state funding, only 8% of an average teacher’s salary will be funded by local levy. The table below shows the detail:

Certificated Instructional Staff	2017-18	2018-19	2019-20
LWSD Salary	\$73,537	\$75,743	\$78,773
State Funding	\$52,636	\$70,014	\$78,109
Local Funding	\$20,901	\$5,729	\$664
%	28%	8%	1%

The majority of the \$40.5 million Lake Washington expects to receive in 2018-19 and 2019-20 under the legislature’s McCleary Plan is earmarked for Basic Education staff salaries, thereby reducing the overreliance on the local levy to fund staff salaries as part of Basic Education.

Is the McCleary Plan Now Fully Funding Basic Education?

There are many areas that we consider Basic Education in Lake Washington that are underfunded by the state including: Special Education, Highly Capable, English Language Learners, Transportation, and Substitutes.

The table below shows the total Lake Washington School District budget for each of these areas, and shows the amount of federal, state, and local funding spent. The table also shows the current percent of local levy funding for each area. The data shows that even with additional state funding anticipated in 2018-19, a significant percentage of Basic Education needs are still funded through local levy. These areas are underfunded by the state and the district must rely on local EP&O to fund its true Basic Education needs.

	2017-18	2018-19	2019-20
Special Education			
Total Budget	\$45,300,000	\$46,659,000	\$48,058,770
Federal Funding	\$5,400,000	\$5,400,000	\$5,400,000
State Funding	\$23,700,000	\$29,700,000	\$32,900,000
Local Funding	\$16,200,000	\$11,559,000	\$9,758,770
% of Local Funding	36%	25%	20%
Highly Capable			
Total Budget	\$1,200,000	\$1,236,000	\$1,273,080
State Funding	\$700,000	\$883,000	\$968,000
Local Funding	\$500,000	\$353,000	\$305,080
% of Local Funding	42%	29%	24%
ELL			
Total Budget	\$5,700,000	\$5,871,000	\$6,047,130
State Funding	\$3,700,000	\$4,800,000	\$5,300,000
Local Funding	\$2,000,000	\$1,071,000	\$747,130
% of Local Funding	35%	18%	12%
Transportation			
Total Budget	\$10,100,000	\$10,403,000	\$10,715,090
State Funding	\$9,300,000	\$9,300,000	\$9,300,000
Local Funding	\$800,000	\$1,103,000	\$1,415,090
% of Local Funding	8%	11%	13%
Substitutes			
Total Budget	\$4,300,000	\$4,429,000	\$4,561,870
State Funding	\$900,000	\$900,000	\$900,000
Local Funding	\$3,400,000	\$3,529,000	\$3,661,870
% of Local Funding	79%	80%	80%